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LEGISLATIVE ALERT!

(202) 637-5057

May 19, 2010

Dear Representative:

The AFL-CIO urges you to support the Promoting American Jobs and Closing Tax Loopholes act of 2010 (H.R.4213), which includes critical fiscal relief for cash-strapped states, financing for local infrastructure projects, extension of federal extended unemployment and COBRA benefits that are due to expire on June 5, and pension funding relief.

Despite GDP growth in the last two quarters and positive monthly job reports, there are still over 15 million American workers without a job and approximately 5.7 million Americans who currently receive federal jobless benefits. There are more than six workers for every job available, and forty six percent of unemployed workers still struggle to find work after six months. The administration projects high levels of unemployment for several years, which will increase budgetary pressures on state and local governments that provide services to jobless workers. There is broad consensus among budget experts that unemployment insurance benefits increase economic output more than almost any other budget option.

High levels of unemployment have also led to a record annual enrollment increase in Medicaid at a time when states are experiencing a dramatic decline in their tax revenues. These declining revenues and growing caseloads are exacerbating the states' budgetary shortfalls. Although the Recovery Act extended federal Medicaid assistance (FMAP) to states through the end of 2010, most states begin their fiscal years in July and are making budget decisions now for funding through June of 2011. Without the additional FMAP assistance included in H.R. 4213, states will be forced to make significant cuts in vital public services and lay off hundreds of thousands of workers, adding to already untenable levels of unemployment. The Congressional Budget Office and leading economists agree that FMAP is one of the most effective means of generating economic activity.

H.R. 4213 also includes long-awaited funding relief for both single and multiemployer defined benefit pension plans. These temporary relief provisions are necessary to help employers weather the current economic downturn and avoid additional layoffs. However, we continue to believe stronger restrictions are needed to prevent single employer plan sponsors electing the relief from stripping out firm assets through large dividend and redemption payments to shareholders. Finally, H.R. 4213 takes important steps toward providing uniform and clear disclosure of 401(k) fees and expenses to plan participants, improving retirement security for American workers.

The cost of these and other vital programs included in H.R. 4213 is partially offset by closing the tax loophole that allows Wall Street hedge fund managers to pay lower taxes on their income than ordinary wage earners. The loophole known as “carried interest” allows billionaires to pay taxes at the capital gains rate of 15 percent rather than the 20 or 30 percent rate paid by most Americans. It is perfectly appropriate to ask these extremely wealthy individuals to give up their undeserved preferential tax treatment so that other Americans might go back to work.

Some have raised budgetary objections to the bill, arguing that the overall cost of the bill is too great and must be fully offset. However, the stimulative impact of the bill is urgently needed and the impact of this short term temporary expenditure that this legislation represents on our long-term budget situation is insignificant. To require cuts in federal spending or additional tax increases to offset the full cost of the bill—including its temporary, emergency relief measures—would partially or fully cancel out the economic boost that the bill is designed to deliver.

Given the severity of the jobs crisis, the number of unemployed Americans, and the devastating effect of state budget shortfalls, Congress must act now to extend these and other vital programs. The AFL-CIO urges Congress to pass H.R. 4213.

Sincerely,

A handwritten signature in black ink, appearing to read 'William Samuel', written over a horizontal line.

William Samuel, Director

GOVERNMENT AFFAIRS DEPARTMENT